G. R. S. 58]

Previous references.
GRE 135-21 (1-30)
135-21 (31+32)
GRE 29-22 (1,3,4,5)
~~*Later references.*~~ (12-1952)
GRE 29-22 (20,22)
GRE 29-22 (10+11)
GRE 29-22 (6a,7+9)
GRE 29-22 (6,28)
Later Refs GRE 187-24 (R+C) + also 11+12

1924-5 GRE

File No. 187-24
Serial Nos. 1-3

GENERAL AND REVENUE SECRETARIAT

Serial Nos. 3

Part B for Nov. 24

SUBJECT

Transfer of the Mysore Government soap factory to private agency

Contains a complete letter

TELEGRAPHIC ADDRESS "INDUS COM."

In reply please refer to
No. 37 Camp

GOVERNMENT OF MYSORE,
DEPARTMENT OF INDUSTRIES AND COMMERCE.

D. 2184
J.C

Encl- Two.

Strictly Confidential

OFFICE OF THE DIRECTOR,

Dated, Bangalore, the 13th Octr 192 4.
Camp Mysore

FROM

P. G. D'SOUZA, ESQ., B.A., B.L.,
Director of Industries and Commerce in Mysore,
Bangalore (India).

GEN. & REV. SECRETARIATE
30 OCT 1924
INDUSTRIES & COMMERCE
BRANCH.

To

The Secretary to the Government of Mysore,
Revenue Department,
Bangalore.
Camp - Mysore.

SIR,

I have the honor to forward herewith for the information of Government copy of Mr. Musa Sait's application dated the 22nd September 1924 for the transfer of the Soap Factory or extension of his agency together with the report of the Industrial Assistant on the subject. If the factory is transferred to Mr. Musa Sait, he seems to be in a position to float a Joint Stock Company and raise about 5 Lakhs of Rupees immediately to develop the concern. The future of the factory is surrounded to a certain extent by uncertainty. Our market for toilet soaps has not - - proved as good as we expected and if we manufacture the full - - quantity according to the present capacity there is a likelihood of much accumulation of stock. The margin of profit on washing soaps is so little that unless we greatly expand the plant and - increase production, we can hardly compete with the imported - - soaps. All this means investment of extra capital together with its attendant risks. It is therefore necessary to take some - - steps for ensuring the industry is further developed with adequate capital so as to be in a position to face the various adverse - factors which the unrestricted competition of foreign soaps and the low priced adulterated local soaps have created. I have call -ed for Mr. Sastry's views in the matter and shall submit proposals separately on receipt of his reply.

I

I have the honor to be,

Sir,

Your most obedient servant,

Director.

USC)

G. R. S. 11] 1924

(B)

GENERAL AND REVENUE SECRETARIAT.

(I & C)

NOTES.

File No. 187-24

FILE HEADING.

Transfer of Mir Musa Sahi Sub Postmaster & Private Agency

From The Director of Horticulture

No. 37/Camp Dated 13/14 - 10 - 24. Received

Diary No. 2184	Enclos.	Spare Copies.	Serial No. ~~2184~~ 1

BRIEF ABSTRACT OF LETTER.

Letter from Dr. I&C forwarding Mir Musa Sahi appln. for transfer of his Sub Postoffice or exclusion of his agency and promising to send up further particulars after hearing from Sahi

1.

NOTES AND ORDERS.

Sft put up as list of 2 members and Secy as Com. P.W.D. — Mr. Issue, Fin. is also to be asked from Director Hort. Srinagar Pte.

SM 24/10

Ref Secy Appr as noted

Issued 26/10

Sec 26/10

to Dir. of Ind. & Comm.

D.O. No. P. 28 D/24. 10. 24

Fin. 24. 10. 24

NOTES—First Sheet.

2184 24

G. R. S. III-2]

WD 2310—GPE—10,000—31-5-24

General and Revenue Secretariat | I & C File No. 187 of 1924

Serial No.

I & C Connects files are put up as per instructions of the Rev Secy. For perusal

SMR
30/10

Secy

Sec. III
1 31.10
SMR
31/10

Sec A

GEN. & REV. SECRETARIAT
31 OCT 1924
INDUSTRIES & COMMERCE BRANCH.

2. (Confidential) ~~3231/12-11-24~~.
P. 24/ dated 24-10-24.

To The Director I&C.

Requests him to ascertain and report, with his opinion, the terms on which Mr. Musa Sait is willing to take over the Govt Soap-Factory.

I.C. 2981/dated 4-11-24

Confl. (Reminder issued to the Director of Industries & Commerce.

Confl. I.C. 3231/dated 12-11-24
A second reminder issued to the Director I&C.

3453/18-11-24.
Reminder issued to the Director, I&C.

NOTE—Contn. sheet.

General and Revenue Secretariat.

I+C File No. 187 of 19 24

Serial No.	
3	From the Director I+C Nyasaland 219 Dy 22-11-24. States that Nyasaland is unable to offer any substantial amount for "Goodwill" and that owing to the present financial stringency & large amount of capital organisation etc required for running the factory, the chances of selling goods appears for some time are not likely to be promising.

Seen.

No further action is called for at present

25/11

SMR 26/11

COLONY. DEPT. OF AGRICULTURE
26 NOV 1924
INDUSTRIES & COMMERCE BRANCH.

Copy of Mr. Musa Sait's application dated the 22nd September 1924 to the Director of Industries and Commerce in Mysore, Bangalore.

We were appointed the Sole Agents for the Government Soap Factory for a period of three yeass and have worked now for more than a year. When we took over the agency we were reliably informed that the sales of the Factory were well established and it would be an easy undertaking on our part to increase the sales. We have already mentioned in our letter of the 1st February 1924 our difficulties as to how instead of the trade in Mysore soap - being a well established one, we had to do considerable spade work in bringing to the notice of the public even the existence of such a factory as the Mysore Government Soap Factory and its products.

We have worked the agency for about a year and we have lost already Rs 1,500/- as per enclosed detailed Balance sheet of the Agency account. We have however, instead of losing heart, over the position renewed our efforts and spent more money on advertisements and are even now spending about Rs 1,500/- per month for advertisement and have been able to dispose of about Rs 15,000 worth of soaps. This may be considered the limit of sales so far as the Madras Presidency including the Mysore State is concern -ed. If the sales have to be increased and if the Soap Factory is to become an All India concern, we shall have to look to the other parts of India for the sales of the factory goods. This will involve larger expenses as we will have to compete in these places not only with imported goods but also with local manufacturers of some repute and have to pay heavy railway freight, pack -ing etc. We are quite willing to do all that lies in our power to obtain a large sale, but we would like to have a definite assur -ance as to how our position will be at the end of the term of our agency, as it will be very likely that we will not have made any money by the Agency during these three years. On a sale of - Rs 15,000/- we get Rs 1,500/- and our expenditure in advertisement and other charges comes to Rs 2,000/-. Unless the sales go up to

7

twice what they are at present, we may not be able to earn anything. We would therefore request you to kindly ascertain from the Government and give us the option of the renewal of the agreement for another period of five years from the date of the expiry of the present agreement on the same terms, or, in the alternative if the Government have no objection to transfer the factory to a private agency, to give us the preference to purchase it. If the first refusal to purchase is given to us we shall be in a position to offer our terms for the same on hearing from you.

(1)

(2)

" COPY "

Director.

DEPARTMENT OF INDUSTRIES AND COMMERCE.

D. O. No. CC. 215/Encl. One

Strictly confidential

OFFICE OF THE DIRECTOR,

Bangalore, Dated the 14th Novr. *1924*.

Dear Mr. Anantaraman,

With reference to your D.O. letter No. IC. 3231 I & C 187-24 dated the 12th Novr. 1924 regarding the offer of Mr. Musa Sait to take over the Soap Factory, I send herewith copy of the proposals he has submitted. The terms he offers do not seem to be reasonable. I am therefore arranging to discuss the matter further with him and shall write to you again at the end of next week.

Yours sincerely,

V. Anantaraman, Esq., B.A.,
Secretary to Government,
Revenue Department, Bangalore.

Copy of letter dated the 13th November 1924 received from Mr. Md. Musa Sait, 32, Godown Street, Madras, to the Director of Industries and Commerce in Mysore, Bangalore.

I am in receipt of your letter D.O. No. CC. 211 as also your letter D.O. No. CC. 201 dated the 31st ultimo.

I am sorry I was not able to reply to the previous letter earlier, as I was thinking of going over to Bangalore every day during the past ten days, when, I thought, I may discuss the whole matter personally.

I submit below the proposals for taking over the Soap Factory, for your kind consideration : -

1. The plant and machinery to be valued at to-day's market price, and depreciation allowed on this for the number of years the plant and machinery might have worked or depreciated.

2. Raw materials and finished articles to be taken at cost price or market price whichever is lowest.

3. The concern must be allowed to remain in the present premises for a period of five years with an option of another five years, subject to payment of reasonable rent to be mutually agreed.

4. I undertake that the factory will be located in Bangalore or any other place in the Mysore Province only and to float a limited liability company to take over the concern.

5. The new company to be formed must be allowed to make use of the following words, in addition to the name that may be chosen by the Company, "Successors to the Government Soap Factory, Bangalore".

6. An undertaking must be taken by the Government from the persons now employed in soap making in the Soap Factory that they will not start or help any other person to start a Soap Factory or give the recipes and formula or information of the working of the factory, to any one for three years.

7. The new Company will be willing to take the present staff on reasonable terms.

8. The services of an officer of the Industrial Department to be lent for one or two years or for such time the company may wish for the same, to enable them to get practical knowledge of the manufacturing of the factory's products.

9. As the business of the factory till now, is purely a local one, it has not yet earned any good will. So the new Company will not be able to give anything towards goodwill.

10. The Mysore Government will have to take up at least Rs 50,000/- worth of shares in part payment of the valuation and the balance will be paid by instalments as the share-

sharecapital comes in, the Government having the right to appoint one Director on the Board.

These are the main proposals which I have to submit. I hope to be in Bangalore on the 22nd of this month when I shall take the opportunity of calling upon you and discuss any further proposals that may be necessary.

" COPY "

Director.

Copy of letter dated the 5th October 1924 from the Industrial Assistant in charge of the Government Soap Factory, Bangalore to the Director of Industries and Commerce in Mysore.

Mr. Musa Sait's letter dated the 22nd Septr. 1924 raises a very important question viz., as to whether the Govern-ment should continue to run the Government Soap Factory or -hand it over to private agency for further development and if so what steps should be taken to effect such a transfer.

1. The Government Soap Factory was started in the year 1917 as a Demonstration Factory, the preliminary investigations and experiments for the starting of which was conducted at the Indian Institute of Science. The factory when it started confin-ed its attention solely to the manufacture of washing soaps. At the close of the year 1917, certain experiments in the manu-facture of toilet soaps were completed and Mr. Sastry took up the manufacture of toilet soaps along with that of washing soaps. The factory at this time was equipped with only two pans capable of a monthly output of 8 tons of soaps. It continued to do good work during the last three years and had an annual output of Rs 1,00,000 or Rs 1,15,000/- worth of soaps and its sales were more or less equal to its output. Last year certain proposals were submitted for the expansion of the soap factory and Govt. sanctioned the duplication of the toilet plant and also of the addition of one ~~to~~ 5 ton soap pan. The effect of this enlarge-ment would be to have an annual output of nearly Rs 5,00,000/- worth of soaps of which nearly 3,50,000 Rupees would be toilet soaps. The position of the factory so long as it continued to have a limited output was unenviable. Since the expansion was given effect to it has given us some case of anxiety to - find an immediate market for the increased output, a position which has been aggravated more by the peculiar market conditions now prevalent due to extreme slump in trade Judged from this standpoint of view the expansion has been probably effected

9

at an inopportune time. However, as a result of the representations made by the Agent, a modified agreement has been obtained from him which would have the effect of enabling the management to be certain of an annual sale of at least Rs 3,00,000/- worth of soaps. The sales during the last three months in spite of the fact that the South Indian markets could not be well reached due to the recent floods have not been very discouraging. The sales amounted to - - during the last quarter ending with 30th Septr. 1924 to - - Rs 46,000/-, of which the value of toilet soaps has been - - Rs 21,600/- and that of washing soaps Rs 11,960/-. In my opinion however, it would not be an easy matter to have an immediate rapid increase of sales of toilet soaps in Southern India and as far as it goes with the washing soaps our market at present is entirely limited to Bangalore and the City of Madras. We have not unfortunately been in a position to extend or push the sales of this commodity for the simple reason that the prices of our soaps are costlier than that of the Calicut Soap Factory which have some market in the Madras Presidency and very much more costlier than the products of the Hindu Soaps and that of the Deens' Soap Factory - the two small competitive concerns who have effectively shut us out of the smaller markets in the Mysore State and of the neighbouring parts of the Madras Presidency. We are unfortunately not in a position to reduce the prices any further as we have not got much margin of profit in this class of manufacture. As a purely toilet soap manufacturing concern it will not be possible without expending very much more money on advertisement and vigorous canvass ing, to increase our sales or even bring it up to the guarantee which the Agent has given. I might mention in this connection, that the Calcutta Soaps works which has been started with a capital of nearly Rs 4 Lakhs and which has on its Board such eminent men as Dr. Sir P. C. Roy and which has also received some assistance from

from the Bengal Government has not been able to sell more than two Lakhs of rupees worth of Toilet soaps in the North -ern Indian markets in spite of the fact that Calcutta - - happens to be one of the best distributing centres. for soaps

2. The points for consideration now before us are - 1) as to whether the Soap Factory has reached a stage when experimental work could be said to have been completed or - 2) as to whether it should still continue under Government management for the completion of any further experiments. From what I can see, the process of manufacture is perfect -edand at present the work of the concern is more or less methodical. Only a careful supervision has got to be exercised on each stage of manufacture to see that the work is not deteriorated. The only portion of the work which may be called yet experimental and which has not been undertaken is the erection of the Glycerine Recovery Plant and the recovery of Glycerine from soap lye. This unfortunately could not be undertaken at this stage as in order to erect this plant we want a very large quantity of lye and unless the factory is expanded so as to have a weekly output of 20 tons of soap, we cannot erect this plant. But in view of the fact that even for the expanded factory of the present type with a monthly capacity of 20 tons of washing soap and 8 tons of toilet soap we find it difficulty to find a ready market, it would be a mistake to develop it further to have an increased capacity to necessitate the erection of the Recovery plant of glycerine, purely to obtain certain results of scientific importance. In my opinion, a stage is come when this industry should be handed over to private agency as its successful working depends very much upon the business aptitude of the management. A Government organisation has its own limitations to undertake the successful working of a commercial concern after the experimental stages are

(1)

are over. The soap factory if handed over to private enter-prise will probably be further expanded as the management - having direct personal interest in the matter would take all necessary steps to find out better markets, cut cost of production, effect savings in purchases etc. Two years ago - when Government decided to hand over the factory they decid-ed upon calling for tenders, a response to which, as you are well aware was not very encouraging. Government may decide to adopt any one of the following two courses viz., 1) call for tenders and hand over the factory to the best of the - tenderer assuring themselves that he has sufficient financial backing, or 2) may call upon certain persons who are interested in the Industry to form a Joint Stock enterprise with the necessary capital for its further expansion giving them an assurance of Government aid.

3. I do not think it desirable at the present stage of market conditions to call for tenders. I would strongly suggest the latter course and in this connection Mr. Musa Sait's present application may be considered.

4. Mr. Musa sait wants in view of the fact that he has worked the agency satisfactorily and has now got to incur consider-able expenditure to increase the market which may not benefit him immediately with a return, that he should be given an assur-ance that the agency will be continued for a period of five years or in the alternative permitted to submit proposals for the taking over of the concern if Government contemplate the transfer of the factory to private agency. Mr. Musa Sait is a man of sufficient means and commands considerable influence amongst the mercantile community. His connection with the - Imperial Tobacco Company (India) Ltd., has given him an access to the Bazaar trade, the advantages of which cannot be under-estimated. Mr. Musa Sait appears to contemplate to float a Joint Stock Company and have the management in his hands.

12

I would suggest that detailed proposals may be called for from him and considered on its merits, Government probably laying down certain conditions viz., i) that the concern should not be moved out of Mysore, ii) that Mysoreans should be given adequate facilities to invest in the concern, iii) that the quality of the manufacture is maintained without deterioration and, iv) that a sum not less than what was promised to be paid last time be given in cash for "Goodwill", and v) the question of Government taking shares in the concern be left an open matter.

"C O P Y "

USC)

G. R. S. VI—G/32]

13

SUBJECT.....

.....

.....

Diary No. of letter replied to

General and Revenue Secretariat

( )

, the *191*

Date of issue 24.10.24

Signed by Mr. S. Narayan Rao

Cmpt

Section 9 & C

File No. 187-24

Serial No. 2

No. P. 24 dt 24.10.24

To The Director Dte

Sir,

With reference to your letter no 37/Camp dated the 14th Oct 24 re the transfer of the Guntur Soap factory to the Municipality I am directed to ~~state~~ note that it has been is the intention of Govt to transfer the factory to private agency if given an individual or

over.

a Company with sufficient Capital and enterprise Comes forward to take it up and carry on the work on satisfactory lines, and to request you to ascertain and report with your opinion, the terms on which the Museum is willing to take over the Concern

Yours &c

Sec
24/10

List of enclosures.

Copied by

Examined by

Confidential

TELEGRAPHIC ADDRESS "INDUS COM."

In reply please refer to
No. CC. 219

GOVERNMENT OF MYSORE,
DEPARTMENT OF INDUSTRIES AND COMMERCE.

D 2641
I. C.

OFFICE OF THE DIRECTOR,

Dated, Bangalore, the 22nd Novr. *192* 4.

GEN. & REV. SECRETARIAT
24 NOV 1924
INDUSTRIES & COMMERCE
BRANCH.

P. G. D'SOUZA, ESQ., B.A., B.L.,
Director of Industries and Commerce in Mysore,
Bangalore (India).

I & C. 187-24-3

To

The Secretary to the Government of Mysore,
Revenue Department,
B a n g a l o r e.

PC
Rpy
24-11

SIR,

Reminder

With reference to your letter No. IC. 3453 I & C 187-24 of the 18th Novr. 1924, I have the honor to state that I met Mr. Musa Sait to-day. He says that some complete sets of brand new machinery are available in India at present and one in Madras which could be had for bargain prices and if he at all purchases the machinery in our factory, it is merely to benefit himself from our experience. He also says that the Madras Government are prepared to make over their Soap Factory on any terms they may get. He also says that in the present condition of the market the Goodwill is not worth much, for, in order to keep up the sales, the methods of marketing etc., may have to be entirely changed. He is therefore not inclined to offer any substantial amount in the shape of "GOODWILL".

680/25.11
for Remarks
(25/11)
11/11

He says that ~~with~~ the experience ~~xxxx~~ of both the Bengal and the Calicut Factories and our own shows that owing to heavy freight, factories in India have to depend more or less on very limited markets close to the factory and cannot therefore compete with the prices of foreign manufactured soaps that command the double advantage of cheap prices due to large scale production and of being able to distribute from certain important ports. He has promised to submit slightly revised proposals but these are not likely to be much more favourable. Having regard to the present financial stringency and the large amount of capital and business

business organisation needed to take up the industry, the prospects of our getting advantageous terms do not seem to be good for some-time.

I have the honor to be,

Sir,

Your most obedient servant,

/s/ G P Tuttle

DIRECTOR.

USC)